

Transformation Tipping Points: Uncovering how digital transformation drives growth in Insurance and Financial Services

Tackling the digital trends, challenges and opportunities that insurance agencies must get to grips with to retain their competitive edge.

Content

Introduction	03
Part 1 of 3 - How digital enables growth in Insurance and the considerations required	04
Part 2 of 3 - How digital enables growth in Insurance and the considerations required - Technology	07
Part 3 of 3 - How digital enables growth in Insurance and the considerations required - Customer experience & digital	10
Contact details	12

INTRODUCTION

In today's on-demand world, digital transformation offers huge growth opportunities for the insurance industry. But the nature of insurance, how customers engage, and legacies across the digital ecosystem bring specific challenges for firms looking to grow their market share.

We have launched our new Transformation Tipping Points series, tackling the digital trends, challenges and opportunities that insurance agencies must get to grips with to retain their competitive edge.

Our Insurance Lead, Mike Kingston has more than two decades' experience as an IT strategy leader for the insurance industry. In this thought leadership series, he shares a range of insights to help to inform and inspire insurance firms tackling the tricky business of effective transformation across the People Process Technology triangle.

You can also watch the [video](#) on our website which talks about the challenges in this insight series.

Part 1 of 3 - How digital enables growth in Insurance and the considerations required

Despite the challenges in the wider economy over the last year, there remain great opportunities for growth within the Insurance industry underpinned by digital transformation.



How digital enables growth in Insurance and the considerations required

In the first of a series of insights on what digital transformation means for Insurance firms, Managing Consultant and industry expert Mike Kingston, gives us an overview of the challenges and talking points within the industry.

Opportunities for growth

Despite the challenges in the wider economy over the last year, there remain great opportunities for growth within the Insurance industry, and the Financial Services sector as a whole.

Underlining this growth and a focus for continued serious consideration is improving customer experience to retain profit and attract new revenues. Understanding what their customers are looking for has proved to be a sticking point for insurers previously. Digital experience has improved this with better access to information and services, but opportunities remain to offer more tailored service to customers, especially given the data at insurers' disposal. This can enable multi-line insurers to assess a customer's complete needs, and insure them as a 'whole', rather than a series of disparate products to manage.

A move to becoming a data led organisation is more than trending technology jargon where the industry is concerned, as data accrued by insurance companies can be invaluable in offering a better service to their clients. Firms have access to vast data sets that, utilised well, can drive new innovating services in claims, real time product offerings, and much more personalised pricing accuracy, alongside efficiencies in supply chain and more accurate financial analysis.

Insurance is no different to other industries and organisations are looking to address the challenges they face by leveraging digital to build a business ecosystem that seamlessly connects products, operations, sales, and supply chain networks, and having the organisation adopt modern ways of working to deliver products, and value, to the market quicker. With sustainability and ethical impact of a business being a big conversation, Environmental, Social, and

We see organisations facing common challenges in their ambitions today



Figure 1 – current organisational challenges

Governance (ESG) factors are also high on the agenda for Insurers aiming to meet eco targets and customers' expectations, both in their supply chain and with new product offerings already entering the market.

Current trends in Insurance

While the core purpose and model of insurance is unlikely to ever change, it is widely accepted that the Insurance industry needs to adapt to the evolving ecosystems in which we now live. To this end there are several trends, each at different stages in their life cycle, that insurance companies should be reviewing. Putting the customer first and at the core of everything remains an overarching priority and this leads to the themes we see below in the following points.

Usage based – not only how behaviour impacts the risk but also considering insurance for a time-boxed period. Telematics has been one of the earliest examples of usage-based insurance and is only set to expand with the growing datasets available from vehicles. The growth of sensors at home and in commercial premises also provide opportunities to look at products differently. Another challenge is to take the simple principle behind a single-trip travel product and build this into other product lines.

Intangible risks – for example, cryptocurrency, insurance in the metaverse, such as for Non-Fungible Transactions – while in its infancy and

not an issue for majority of customers today, it deserves consideration for what it may become.

Personalised solutions – insuring a person, taking the customer's specific needs into account, and providing the portfolio of solutions rather than individual product lines and pricing.

Prevention – building on the work that has been done in the industry to date and utilising the available technology in minimising risk e.g., on leak prevention solutions, the sensors in a car and how they can prevent crashes or how they can expedite a response in a claim situation, thermal imaging for buildings to forewarn customers, wearables for Health and ability to monitor and change habits.

Real time needs – insure me instantly when I need it e.g., ad hoc travel, single-trip car journeys.

Embedded – included at the point of sale e.g., built into the price when buying a car. The insurance is not seen as a separate purchase.

Constant innovation, collaboration with partners and exploiting new technologies enable insurers to update the solutions on offer and meet the demands of the modern-day customer.

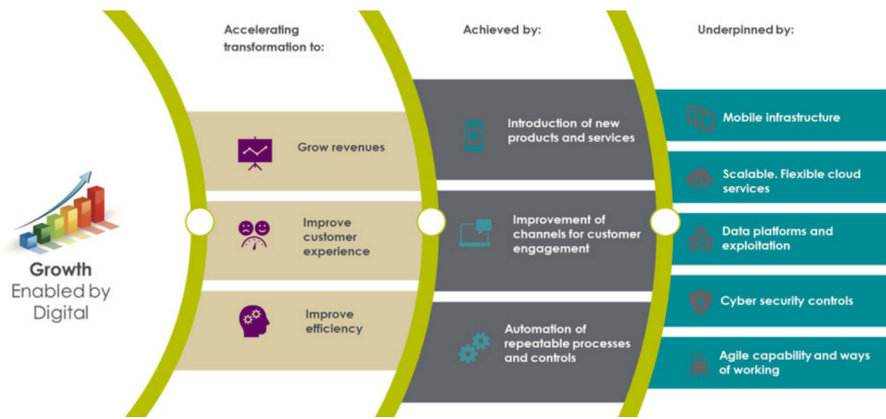


Figure 2 – how digital underpins growth

Why Digital? And why do we need to embrace it?

Let's start by setting out what we really mean by digital and simplifying it into something more tangible. When we say digital, we really mean a business strategy and/or operating model that uses the capabilities of modern technologies to meet the demands of customers and deliver the organisation's ambitions in a different way.

While the most visible element of digital is in the customer experience (as driven by organisations such as Apple, Google, Amazon, Meta), digital actually comprises a number of different layers, from the customer experience through to the infrastructure foundations required.

Building and evolving the digital capabilities of an insurer supports growth and raises revenues by providing new channels to market and by significantly improving that important customer experience. Accelerating digital can also support the efficiency gains organisations are looking for and help fund any transformation required.

Technology continues to evolve rapidly, enabling organisations to devise strategies that until recently would have been unaffordable. This trend is set to continue. So, while the opportunity and challenge facing Insurance CxOs is massive, driving transformational change and seamlessly integrating new digital capabilities that limit disruption to business as usual, requires thorough evaluation.

Differing roles in a digital world

As we utilise technology more and more, the roles in the organisation need to reflect how it embraces the new opportunities technology provides,

bringing a slight change to the emphasis to the traditional technology department:

Executive - as a whole, the organisation needs to set the culture for embracing technology to achieve the business outcomes. While technology drives the solutions, unless the evolving mindset needed for a digital world is embedded, the full values of the investments made will not be crystallised.

New partnerships - there is the potential for an explosion of technology across the organisation, through new and existing collaborations and partnerships, both internally and externally. All with the purpose of harnessing the power of new technologies to improve outcomes for customers.

CIO/CTO - needs to drive the overall technology ecosystem whilst balancing the pressure to reduce costs with setting the foundations for the business to collaborate with technology partners / innovators / Insurtechs.

IT department - moving the focus of the internal IT department to the core platforms and technology at an enterprise level, becoming the integrator, and keeping the lights on. IT departments have often worked with the concept of 'shadow IT' - IT applications supported within teams outside of the IT dept - with the aim of bringing it within their scope for various reasons. It may now be time for a re-think to ensure this does not hinder the agility of the business to progress with the opportunities for collaborations and partnerships mentioned.

There is much for insurance organisations to consider as they continue to adapt to operating in a digital world and this is before we even begin to discuss specific areas of technology focus. In a future article we will explore the six areas that should be considered:

1. Keeping you safe online
2. Intelligent data insights
3. Flexible infrastructure
4. Efficient and effective basics
5. Modern ways of working
6. Maximising modern technology

In the meantime, we invite analysis of the points raised in the article, and would be interested in hearing your thoughts too. Are you thinking about digital in the most effective way for your organisation? Rather than seeing digital as purely a technology change, have you considered the change in thinking and operating required to facilitate it? Have you joined up the thinking across your organisation to achieve your goals, or are you working in silos?

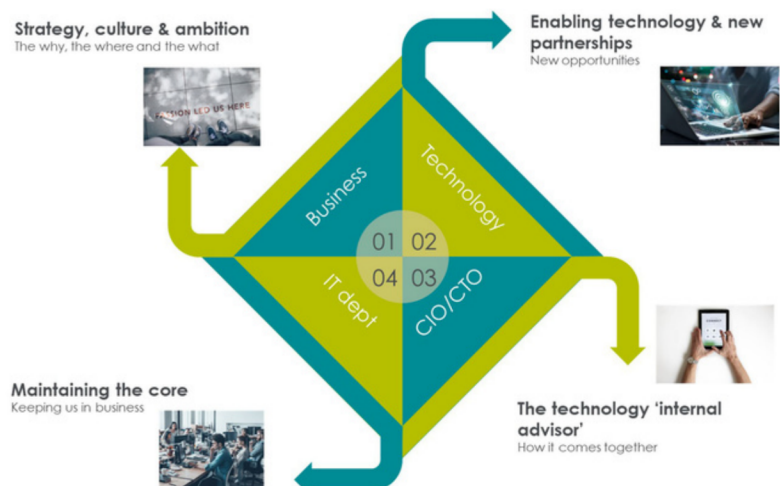


Figure 3 - The differing roles in the digital world

Part 2 of 3 - How digital enables growth in Insurance and the considerations required - Technology

What are the key technology pillars that underpin a successful digital insurer and when thinking about a digital transformation what should you consider



How digital enables growth in Insurance and the considerations required - Technology

As a reminder, in the first article we set out that 'digital' is in essence, a modernised business strategy and operating model that harnesses modern technology to underpin its aims:

While it is imperative that insurance companies build their digital thinking through the customer experience lens, if the appropriate foundations are not in place internally, this will impact their effectiveness and efficiency.

The exact scope of a digital transformation is unique to each organisation, but from a technology perspective can be developed around six key areas; each being considered from both a customer and internal lens. For an organisation at the start of its digital maturity all six will require development, while organisations that have already achieved a level of maturity might just need to focus on a couple of key areas. However, it is important to retain a level of curiosity and control across all areas regardless of maturity level. In a digital business world, maturity is a point in time rather than enduring.

The six areas of technology focus are:

1. Keeping you safe online:

To keep customers safe organisations need to protect their assets, and in a digital world the majority of assets are online. Information protection and security has become even more critical. Staying abreast of newer methods of information protection and resilience can be difficult for organisations, but the following aspects need to be established as a minimum:

- an agreed and appropriate cyber strategy and associated roadmap.
- regular health checks of your cyber defences.
- security by design – build it into your capability at the beginning.
- development of your security operations and response capability.

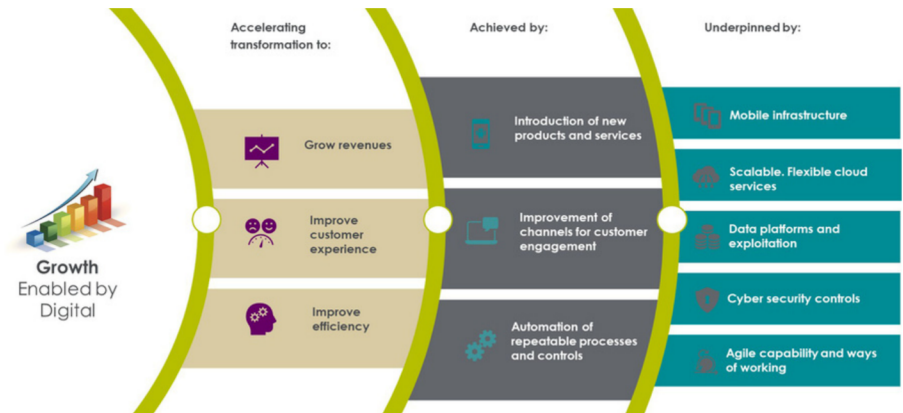


Figure 2 – how digital underpins growth

- mature and up-to-date business continuity management plans which are regularly tested.

2. Maximising modern technology

While long standing insurers have legacy IT estates to deal with, new players in the market can move and adapt quickly utilising modern architectures and technologies.

Organisations need to move away from the traditional full stack model and towards a composable / plug and play type model, alongside automating integrations and standard tasks, thereby freeing people to focus on driving value.

Embracing new configurable applications to reduce cost of change, and working in partnership with InsurTech will realise the capabilities of new technologies.

Consideration should be given to:

- Modern architectures – how to move towards a capability-based, composable and potentially subscription-based technology estate.
- Application estate – for those with legacy estates, how to advance to a simplified, configurable set of applications. And for the younger entrants, how to truly scale matching desired capabilities to the appropriate application functionality.

- Automation – driving automation within the appropriate areas and doing it right first time, rather than as an additional layer.

- Adapting to interact with connected devices, e.g., cars, sensors in property (residential and commercial), and wearables for health.

- Innovating with new disruptive technologies to enhance the customer and employee experience driving additional value.

3. Intelligent data insights and moving to data-led

Using data to provide the right solutions based on customer needs, make it a hugely important asset to any insurance organisation. Data exploitation is nothing new, however the opportunities available are expanding and it continues to revolutionise how insurance is built and sold, and data sharing is a hot topic. Again, an organisation's maturity will dictate where to focus, but all organisations should be thinking about:

- what their data strategy is and how their data can generate value.
- how they use data to improve customer experience, personalisation, accuracy.

- how best to efficiently exploit the volume of data available across multiple platforms / partners, to drive top-line growth.
- what challenges need addressing to realise the full value e.g., additional risk, additional governance effectiveness.

4. Flexible infrastructure

Attitude to infrastructure has changed. It has become more of a commodity purchase based on consumption rather than a large, costly capital outlay. Being able to respond to customers' expectations in an 'on demand' world, requires organisations to be ready to scale or reduce consumption in line with demand. Hence the need for cloud-based solutions, faster, secure networks and flexible workplace solutions. We would suggest that organisations:

- exploit cloud by fully understanding the operating model required and the TCO impacts. Cloud is not usually an operational cost play, but more about enabling agility.
- modernise the network, e.g., moving to software-defined networking and consider a zero-trust network for increased cyber protection, take advantage of cloud-based contact centre technologies to drive additional customer and employee experience, plus an opportunity for additional efficiencies to support employees through modern workplace solutions.

5. Modern ways of working

In realising the benefits of a digital transformation, insurers need to review their ways of working and where necessary, change and adapt. Organisations should understand whether their operating model is fit for a digital business, and both the IT department and wider business should assess:

- what is their digital operating model? What needs to be different to operate effectively in a digital world?

- how to drive agility at scale.
- embedding lean principles across the organisation.
- right sourcing – what are the core skillsets to be retained versus the skillsets to be bought in?
- exploiting partnerships - recognising internal and external partnerships and the value they enable to drive the appropriate blend of capability.



6. Efficient and effective basics

Getting the basics right is core to any business in its daily operations. Transformation and digital are no exception. Unless the fundamentals are in place and working to the organisation's advantage, the ability to realise wider benefits can be adversely impacted. There are three areas that we believe are critical:

- ensuring an organisation knows their technology cost profile - what the levers are that can be pulled to make efficiencies; and understanding how that profile may change in a digital world
- ensuring the IT and application estate performs to the service levels necessary to support the organisation's goals; are the service management capabilities appropriate for a digital business model?
- ensuring the right technology controls are in place to meet the regulatory standards e.g., vulnerability management, GDPR.

Most organisations will have solutions in place to deal with the challenges and opportunities discussed above, but the questions really need to be:

1. Are your solutions still fit for purpose in the digital world?
2. Do you have the right foundations and enablers in place to help your business provide the experience and products that customers desire, alongside driving profitable growth?
3. how regularly do you review the foundations and enablers to ensure they still support your digital goals?

Part 3 of 3 - How digital enables growth in Insurance and the considerations required - Customer experience & digital

Customer experience remains a key challenge for Insurance organisations; how can digital help?



How digital enables growth in Insurance and the considerations required – Customer experience & digital

According to the latest YouGov poll (March 2023) on how British adults feel about the insurance industry, just under 40% are neither favourable nor unfavourable whilst just under 10% say they don't know. Only circa 15% describe themselves as favourable. These statistics have remained stagnant since 2019.

Insurance organisations have been grappling with the challenge of improving customer experience for many years. It has long been acknowledged as an area to improve and the advent of the digital world has only added to the challenge. The statistic demonstrating the indifference of the general public to the industry is troubling, given that it has remained stagnant since 2019, but also provides the industry which huge scope to evolve and grow in this space. However, as you may expect, there is no single silver lining.

Of course, organisations focus on improving the customer experience they each deliver but unless the industry as a whole can positively impact customer perception then the benefits will be constrained.

The nature of insurance and its products shouldn't be ignored when considering the findings in the poll. We buy insurance to give us reassurance and peace of mind when we face some sort of adversity; not forgetting that the legal requirement for car insurance leads to it still being a grudge purchase for many; and for some the mortgage-led requirement for buildings insurance.

Customers generally only see the value of insurance through the claims process and having a claim settled, making it the key element in customer experience, yet according to the FCA's General Insurance value measures data for July – December 2021 the claims frequency for car insurance is just over 5% and less than 3% for combined home; meaning only a small number of



customers experience the true value of the products they buy. Given those numbers it is the quote & buy, renewals and customer service interactions that drive customer perception. Digital transformation presents an opportunity to move the dial. For example, it allows choice of accessibility through different communication channels and enables the ability to interact at a time of your own choosing as two of the most obvious areas. It allows insurance organisations to understand their customers much better, however it is important not to look at it from an internal lens – understanding the risk, adjusting pricing, marketing preferences – but to truly understand the customer lens, their priorities and the value they seek. There is a plethora of technology solutions available to support these challenges.

The key is understanding the overall direction, how the various solutions come together to provide the preferred customer outcome and how such solutions fit into the strategic architecture. If sufficient thought is not given to this, there is the risk that significant additional cost and complexity is driven into the business.

This is why our approach to any digital transformation starts with building out the customer case alongside the cultural case before moving to the financial case and solutions.

However, to truly impact customer experience in a long-lasting positive manner requires not only the individual insurance organisations to drive their own improvements but to work together to solve the indifference and improve the %age of British adults who are favourable about the industry.

However, to truly impact customer experience in a long-lasting positive manner requires not only the individual insurance organisations to drive their own improvements but to work together to solve the indifference and improve the %age of British adults who are favourable about the industry.

Author



Mike Kingston

Managing Consultant - Financial Services and Insurance

email: fsi@masonadvisory.com

About Mason Advisory

Mason Advisory has offices in Manchester and London and employs over 100 staff, with plans to continue its expansion. We enable organisations to deliver value through digital & technology transformation, solving complex business challenges, and helping clients set strategy through the intelligent use of IT resources including architecture, cyber, operating model and organisational design, service management, and sourcing. We operate in sectors such as financial services and insurance, legal and law, government, health and social care, emergency services, retail, FMCG, transport, and not-for-profit.

Contact us

To get in touch, please email fsi@masonadvisory.com or call [+44 333 301 0093](tel:+443333010093)

www.masonadvisory.com

MANCHESTER

Landmark
St Peter's Square
1 Oxford Street
Manchester
M1 4PB

LONDON

Bush House
North West Wing
Aldwych
London
WC2B 4PJ